



Mtubatuba Municipality
(Registration number KZN 275)

Annual Financial Statements
for the year ended 30 June, 2019

Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June, 2019

General Information

Legal form of entity

Executive Committee

Municipality

Cllr VM Gumede - Mayor

Cllr NJ Mlambo - Deputy Mayor

Cllr MM Davies - Speaker

Cllr LM Mkhwanazi

Cllr MQ Mkhwanazi

Cllr V Ncamphalala

Cllr M Shobede

Cllr M Gina

Cllr P Tembe

Councillors

Cllr NG Khumalo

Cllr Z Nyawo

Cllr J Gumede

Cllr F Mpanza

Cllr S Shezi

Cllr RM Bukhosini

Cllr S Khumalo

Cllr M Ndlovu

Cllr N Zuma

Cllr V Madonsela

Cllr P Mkhwanazi

Cllr S Sibiya

Cllr D Ntuli

Cllr Z Mhlongo

Cllr S Khoza

Cllr S Khumalo

Cllr S Gumede

Cllr P Msweli

Cllr R Mkhwanazi

Cllr G Msane

Cllr M Mthethwa

Cllr A Mabika

Cllr P Ntshalintshali

Cllr J Lembede

Cllr T Zikhali

Cllr Z Mthethwa

Cllr K Mpontshana

Cllr M Govender

Cllr S Vilane

Cllr E Ntuli

Cllr P Manqele (Resigned)

Cllr MB Zulu (Resigned)

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General Information

Grading of local authority	Grade 3
Accounting Officer	Mr JA Mngomezulu (Resigned) - 30 July 2019
Acting Chief Finance Officer (CFO)	Mr TS Cele
Registered office	Lot 105 Inkosi Mtubatuba Road Mtubatuba 3935
Business address	Lot 105 Inkosi Mtubatuba Road Mtubatuba 3935
Postal address	PO Box 52 Mtubatuba 3935
Bankers	First National Bank Mtubatuba
Auditors	Auditor General South Africa Registered Auditors
Lawyers	Ngubane & Associates
Telephone and Fax	035 550 0069 035 550 0060

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Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers (Previously IMFO)
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant

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Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the municipality sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June, 2020 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 6 to 56, which have been prepared on the going concern basis, were approved by the council on August 31, 2019 and were signed on its behalf by:

Mr SR Ntuli
Acting Accounting Officer

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Auditor's Report

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June, 2019

Statement of Financial Position as at 30 June, 2019

	Note(s)	2019 R	2018 Restated* R
Assets			
Current Assets			
Receivables from non-exchange transactions	7	3,438,573	2,121,579
VAT receivable	8	1,983,111	2,400,266
Trade and other receivables from exchange transactions	9	52,163,841	39,874,470
Cash and cash equivalents	10	47,248,102	12,296,636
		104,833,627	56,692,951
Non-Current Assets			
Investment property	3	36,238,000	36,238,000
Property, plant and equipment	4	362,539,813	356,494,721
Intangible assets	5	119,908	84,556
Heritage assets	6	1,024,835	1,024,835
		399,922,556	393,842,112
Total Assets		504,756,183	450,535,063
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	45,144,332	39,513,451
Payroll accruals	12	6,109,634	2,909,364
Unspent conditional grants and receipts	13	47,212,664	4,533,595
Provisions	14	6,538,459	6,145,409
Income received in advance - credit balance in debtors	9	884,385	1,540,129
		105,889,474	54,641,948
Non-Current Liabilities			
Provisions	14	20,716,016	18,871,721
Employee benefit obligation	36	2,264,000	2,219,000
		22,980,016	21,090,721
Total Liabilities		128,869,490	75,732,669
Net Assets		375,886,693	374,802,394
Accumulated surplus		375,886,693	374,802,394

* See Note 29

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Annual Financial Statements for the year ended 30 June, 2019

Statement of Financial Performance

	Note(s)	2019 R	2018 Restated* R
Revenue			
Revenue from exchange transactions			
Refuse removal		4,545,232	4,065,793
Rendering of security services		1,566,726	1,904,438
Rental of facilities and equipment	16	280,968	303,364
Licences and permits		1,397,958	1,778,298
Fees earned		312,378	408,524
Other income	39	-	2,490,866
Interest on consumer debtors	40	11,471,249	11,548,946
Interest received - investment	41	1,065,479	1,765,050
Total revenue from exchange transactions		20,639,990	24,265,279
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	37	34,299,879	29,558,053
Transfer revenue			
Government grants & subsidies	15	190,028,566	181,709,204
Fines	38	1,575,412	1,542,387
Total revenue from non-exchange transactions		225,903,857	212,809,644
Total revenue		246,543,847	237,074,923
Expenditure			
Employee related costs	17	(83,870,066)	(74,201,360)
Remuneration of councillors	18	(14,436,358)	(14,101,093)
Debt Impairment	19	(11,983,725)	(10,267,118)
Depreciation and amortisation	20	(27,420,814)	(28,784,021)
Finance costs	21	(3,202,556)	(2,263,941)
Lease rentals on operating lease		(2,467,935)	(2,341,537)
Contracted services	22	(37,360,172)	(41,142,344)
General Expenses	23	(64,407,902)	(55,150,189)
Total expenditure		(245,149,528)	(228,251,603)
Operating surplus		1,394,319	8,823,320
Profit/Loss on disposal of assets		(310,020)	-
Assets written-off		-	(19,735)
Donations		-	107,755
Loss on derecognition of assets		-	(5,728,000)
		(310,020)	(5,639,980)
Surplus for the year		1,084,299	3,183,340

* See Note 29

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Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 1 July, 2017	371,619,054	371,619,054
Changes in net assets		
Surplus for the year	5,711,799	5,711,799
Prior year adjustments	(2,528,459)	(2,528,459)
Total changes	3,183,340	3,183,340
Restated* Balance at 1 July, 2018	374,802,394	374,802,394
Changes in net assets		
Surplus for the year	1,084,299	1,084,299
Total changes	1,084,299	1,084,299
Balance at 30 June, 2019	375,886,693	375,886,693

Refer to Note 29 for prior period errors.

* See Note 29

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Annual Financial Statements for the year ended 30 June, 2019

Cash Flow Statement

	Note(s)	2019 R	2018 Restated* R
Cash flows from operating activities			
Receipts			
Sale of goods and services		31,579,588	39,430,870
Grants		230,925,209	183,794,625
Interest income		1,065,479	1,765,050
Fines		62,550	107,150
		<u>263,632,826</u>	<u>225,097,695</u>
Payments			
Employee and Councillor related costs		(98,306,423)	(85,775,859)
Suppliers		(95,027,135)	(94,381,875)
Finance costs		(580,779)	(82,682)
		<u>(193,914,337)</u>	<u>(180,240,416)</u>
Net cash flows from operating activities	25	<u>69,718,489</u>	<u>44,857,279</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(33,986,774)	(40,328,679)
Purchase of other intangible assets	5	(124,505)	(133,924)
Net cash flows from investing activities		<u>(34,111,279)</u>	<u>(40,462,603)</u>
Cash flows from financing activities			
Movement in income received in advance		(655,744)	326,632
Net increase/(decrease) in cash and cash equivalents		<u>34,951,466</u>	<u>4,721,308</u>
Cash and cash equivalents at the beginning of the year		12,296,636	7,575,328
Cash and cash equivalents at the end of the year	10	<u>47,248,102</u>	<u>12,296,636</u>

* See Note 29

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	5,492,000	1,236,000	6,728,000	4,545,232	(2,182,768)	1
Rendering of security services	2,042,000	(2,042,000)	-	-	-	
Rental of facilities and equipment	1,198,000	(840,000)	358,000	280,968	(77,032)	2
Licences and permits	1,632,000	(493,000)	1,139,000	1,397,958	258,958	3
Other income	421,000	2,415,000	2,836,000	1,879,104	(956,896)	4
Interest on consumer debtors	8,686,000	(1,506,000)	7,180,000	11,471,249	4,291,249	5
Interest received - investment	2,400,000	(1,400,000)	1,000,000	1,065,479	65,479	6
Total revenue from exchange transactions	21,871,000	(2,630,000)	19,241,000	20,639,990	1,398,990	

Revenue from non-exchange transactions

Property rates	40,081,000	455,000	40,536,000	34,299,879	(6,236,121)	7
Government grants & subsidies	153,998,000	1,730,000	155,728,000	190,028,566	34,300,566	8
Fines	3,710,000	(775,000)	2,935,000	1,575,412	(1,359,588)	9
Total revenue from non-exchange transactions	197,789,000	1,410,000	199,199,000	225,903,857	26,704,857	
Total revenue	219,660,000	(1,220,000)	218,440,000	246,543,847	28,103,847	

Expenditure

Employee related costs	(84,747,000)	10,099,000	(74,648,000)	(83,870,066)	(9,222,066)	10
Remuneration of councillors	(15,211,000)	(301,000)	(15,512,000)	(14,436,358)	1,075,642	11
Depreciation and amortisation	(25,000,000)	-	(25,000,000)	(27,420,814)	(2,420,814)	12
Finance costs	(1,500,000)	(150,000)	(1,650,000)	(3,202,556)	(1,552,556)	13
Lease rentals on operating lease	(1,430,000)	350,000	(1,080,000)	(2,467,935)	(1,387,935)	14
Debt written off and credit impairment	(12,000,000)	-	(12,000,000)	(11,983,725)	16,275	15
Contracted Services	(41,645,000)	(5,155,000)	(46,800,000)	(37,360,172)	9,439,828	16
Transfers and grants	(961,000)	(299,000)	(1,260,000)	-	1,260,000	17
General Expenses	(31,043,000)	(6,244,000)	(37,287,000)	(64,407,902)	(27,120,902)	18
Total expenditure	(213,537,000)	(1,700,000)	(215,237,000)	(245,149,528)	(29,912,528)	
Operating surplus	6,123,000	(2,920,000)	3,203,000	1,394,319	(1,808,681)	
Loss on disposal of assets and liabilities	-	-	-	(310,020)	(310,020)	
Surplus before taxation	6,123,000	(2,920,000)	3,203,000	1,084,299	(2,118,701)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	

- (1) The municipality has conducted data cleansing reviewing transaction per customers on the financial system and this indicates that the municipality over budgeted on this line item.
- (2) The booking of facility and rental is not fixed but depending on the demand so the municipality cannot be accurate on this line item.
- (3) Testing Station the municipality received more than what was budgeted for in this line item because the budget was low considering the fact that the station is under construction.
- (4) The municipality performed less than was budgeted because of termination of St. Lucia Security contracts. Some of the transactions in other revenue are on adhoc basis..
- (5) This is because of increase in outstanding debtors which is also increases the actual interest on the monthly basis.
- (6) The municipality received more than budgeted amount in this line item because of Positive cash in municipal bank account.
- (7) The municipality has conducted data cleansing reviewing transaction per customers on the financial system and this indicates that the municipality over budgeted on this line item.
- (8) The over performance is based on the Grants which were not gazetted and budgeted for. That include CETA grants for learner ships.
- (9) The under performance is because speed camera contract which is not implemented as projected in the budget. The current year performance is performance same previous year.
- (10) The increase in this line item is emanating from an increase in number of municipal employees which resulted in increase in employee related cost for the current year.
- (11) The serving to this line item is because of resignation to other municipal councilors.
- (12) This line item was under budgeted for and there are new projects capitalized in the current year which were not complete at the preparation of the budget.
- (13) The variance is insignificant and it relates to a provision of landfill site.
- (14) The line item was under budgeted for.
- (15) The municipality thoroughly reviews and performs debt impairment at year end.
- (16) Some of the savings from this line item is because of termination of St. Lucia security contract.
- (17) Variance relates to free basic electricity and training for staff, councilors and bursaries.
- (18) This overspending is because of an increase in the number of employees which resulted in increase in operational cost. This also because of an increase in consultancy fees that included forensic investigation conducted by the municipality in the current financial year. Other item contributed to this line item is it expenses emanating from upgrades that are taking place to the municipality.

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Annual Financial Statements for the year ended 30 June, 2019

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. The figures in these annual financial statements have been rounded to the nearest Rand (i.e. no cents).

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with those applied in the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

The municipality assesses its trade receivables, held at amortised cost, for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or loss, the management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

In making the estimation of impairment, management of the municipality considers the detailed criteria of impairment of financial assets as set out in GRAP 104.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible and intangible assets are inherently uncertain and could materially change over time.

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Provision for landfill site

The entity has an obligation to rehabilitate its landfill site in terms of its licence stipulations. Provision is made for this obligation based on the size/ extent of the land to be rehabilitated, the rehabilitation cost per square metre, the monitoring cost per square metre, and the rehabilitation period. Current costs are projected using the average rate of inflation over the remaining period until rehabilitation, and then discounted to their present value to represent the time value of money.

Other provisions

The municipality's other provisions consist of a provision for long service award. Provisions are measured as the present value of the estimated future outflows required to settle the obligation.

Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 36.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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Accounting Policies

1.4 Investment property (continued)

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Subsequent measurement

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus for the period in which it arises.

The carrying amount of an item of investment property is derecognised on disposal or when no future economic benefit or service potential are expected from its use or disposal. Transfers to, or from, investment property is made when, and only when, there is a change in use.

Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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Accounting Policies

1.5 Property, plant and equipment (continued)

Major spare parts and stand by equipment which are expected to be used for more than one accounting period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Other Assets	Straight line	30
Machinery and equipment	Straight line	
• Specialised plant and equipment		10 - 15
• Other items of plant and equipment		2 - 5
Furniture and office equipment	Straight line	7 - 10
Transport assets	Straight line	5 - 10
Infrastructure	Straight line	
• Road infrastructure		15 - 30
• Solid waste infrastructure		15
• Storm water infrastructure		15 - 30
Community assets	Straight line	
• Cemetery		20 - 30
• Community centres		20 - 30
• Community halls		20 - 30
• Creches		20 - 30
• Libraries		20 - 30
• Outdoor recreational facilities		20 - 30
• Market stalls		20 - 30

The municipality assess at each reporting date whether there is any indication that the municipality's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors .

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1.5 Property, plant and equipment (continued)

In assessing whether there is any indication that the expected useful life of an asset has changed, the municipality considers the following indications:

- (a) The composition of the asset changed during the reporting period, i.e. the significant components of the asset changed.
- (b) The use of the asset has changed, because of the following:
 - (i) The municipality has changed the manner in which the asset is used.
 - (ii) The municipality has changed the utilisation rate of the asset.
 - (iii) The municipality has made a decision to dispose of the asset in a future reporting period(s) such that this decision changes the expected period over which the asset will be used.
 - (iv) Technological, environmental, commercial or other changes that occurred during the reporting period that have, or will, change the use of the asset.
 - (v) Legal or similar limits placed on the use of the asset have changed.
 - (vi) The asset was idle or retired from use during the reporting period.
- (c) The asset is approaching the end of its previously expected useful life.
- (d) Planned repairs and maintenance on, or refurbishments of, the asset and/or its significant components either being undertaken or delayed.
- (e) Environmental factors, e.g. increased rainfall or humidity, adverse changes in temperatures or increased exposure to pollution.
- (f) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period.
- (g) The asset is assessed as being impaired in accordance with GRAP 21 and GRAP 26.

In assessing whether there is any indication that the expected residual value of an asset has changed, the municipality shall consider whether there has been any change in the expected timing of disposal of the asset, as well as any relevant indicators included in the paragraph above.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or loss unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

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1.6 Intangible assets (continued)

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 years

Intangible assets are derecognised:

- on disposal; or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

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1.8 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at amortised cost.
- Financial liabilities measured at amortised cost.
- Financial instruments at fair value.

Initial recognition

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments..

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value plus in case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to acquisition or issue.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Subsequent measurement of financial assets and financial liabilities

Financial instruments at fair value are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Financial assets and liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value, to determine whether there is objective evidence that a financial asset has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment was reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalent

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to known amount of cash and are subject to insignificant risk of changes in value.

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1.8 Financial instruments (continued)

Long term loans consists of borrowings from financial institutions. These are initially and subsequently recorded at amortised cost.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- plus any liability that may arise as a result of a minimum funding requirement

Any adjustments arising from the limit above is recognised in surplus or loss.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or loss, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and

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Accounting Policies

1.10 Employee benefits (continued)

- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

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1.11 Provisions and contingencies (continued)

Provisions are not recognised for future operating deficits.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 27.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

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Accounting Policies

1.12 Commitments

A commitment represents goods/services that have been approved and/or contracted for, but where delivery has not taken place at the reporting date. A commitment arises when a decision has been made to incur a liability. A commitment converts to a liability when that intention becomes a present obligation or basically when the delivery of the contracted goods/services has taken place.

Approved and contracted for commitment is where the expenditure has been approved and the contract has been awarded at the reporting date.

Approved and not yet contracted for commitment is where the expenditure has been approved but the contract has not yet been awarded or is awaiting finalization at the reporting date.

Commitments are not recognised in the Statement of Financial Position and Statement of Financial Performance but are included in the disclosure notes of the annual financial statements as required by GRAP 1.

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Accounting Policies

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff.

Service charges relating to security services are recognised on a monthly basis in arrears by applying the approved tariff.

Interest income

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or loss, using the effective interest rate method.

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Accounting Policies

1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Rates, including collection charges and penalties

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summons. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summons the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. Revenue on both spot fines and summons is recognised based on the amount of each fine issued. Any subsequent court reduction on the amount of fines issued is accounted for as a change in the estimated revenue.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any conditions associated with the grant.

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1.14 Revenue from non-exchange transactions (continued)

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Conditions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other conditions have been complied with.

1.15 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds. These costs are recognised as expenses in surplus or deficit for the year.

1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.17 Unauthorised expenditure

Unauthorised expenditure in relation to a Municipality, means any expenditure incurred by a municipality otherwise than in accordance with Section 15 or 11(3), and includes-

- Overspending of the total amount appropriated in the municipality's approved budget;
- Overspending of the total amount appropriated for a vote in the approved budget;
- Expenditure from a vote unrelated to the department or functional area covered by the vote;
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose.

1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

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Accounting Policies

1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the MFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure, in relation to a municipality, means-

- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of this Act and which has not been condoned in terms of section 170;25
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of the Act;
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act 30 No. 20 of 1998) or
- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in 35 terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

1.20 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.21 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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Annual Financial Statements for the year ended 30 June, 2019

Accounting Policies

1.21 Budget information (continued)

The approved budget is prepared on an accrual basis.

The approved budget covers the fiscal period from 01/07/2018 to 30/06/2019.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.22 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.23 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.24 Events after the reporting date

Events after the reporting date that have been classified as adjusting events are accounted for in the annual financial statements. Events after the reporting date that are classified as non-adjusting events after reporting date are disclosed in the notes to the annual financial statements.

1.25 Value Added Tax (VAT)

In line with GRAP 1, the municipality recognises all its financial transactions on accrual basis. Consequently VAT implications resulting from each transaction is accounted for, on the financial records, on recognition each financial transaction. However the municipality has registered with SARS, for Value Added Tax purposes on the payments basis. Which means that VAT is declared or claimed to/from SARS when the payment has been made in respect on VAT input and when the funds have been received in respect of VAT output. The difference resulting from timing difference is recognised as an Asset or Liability depending on the net balance.

1.26 Retention

Retentions are amounts of progress billings that are not paid until the satisfaction of conditions specified in the contract for the payment of such amounts or until defects have been rectified.

Progress billings are amounts of contract cost billed for work performed on a contract whether or not they have been paid.

The municipality recognises Retention on accrual basis on presentation of the Progress Certificate by the municipal Engineers. The retentions are recognised and presented as current liability. The retained amounts are included on the Work In Progress account balance. Any increase in retention amount is accounted as addition on Retention account balance. Any release of retention amount is deducted on the retention account balance.

Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June, 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after
• GRAP 20: Related parties	1 April, 2019
• GRAP 32: Service Concession Arrangements: Grantor	1 April, 2019
• GRAP 108: Statutory Receivables	1 April, 2019
• GRAP 109: Accounting by Principals and Agents	1 April, 2019

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 1 July, 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after
• GRAP 38: Disclosure of Interest in other Entities	1 April 2020
• GRAP 104: Financial Instruments	1 April, 2020

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June, 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
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3. Investment property

	2019			2018		
	Cost / Valuation	Fair value adjustment	Carrying value	Cost / Valuation	Fair value adjustment	Carrying value
Investment property	36,238,000	-	36,238,000	36,238,000	-	36,238,000

Reconciliation of investment property - 2019

	Opening balance	Total
Investment property	36,238,000	36,238,000

Reconciliation of investment property - 2018

	Opening balance	Derecognition	Total
Investment property	41,634,000	(5,396,000)	36,238,000

Pledged as security

There was no investment property pledged as security.

There was no direct income generated by investment properties nor direct expenses incurred on investment properties.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June, 2019

Notes to the Annual Financial Statements

4. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Community	118,449,788	(28,091,356)	90,358,432	114,473,826	(23,651,536)	90,822,290
Computer equipment	2,641,977	(967,629)	1,674,348	2,095,076	(605,782)	1,489,294
Furniture and office equipment	7,277,181	(4,241,031)	3,036,150	7,063,334	(3,413,730)	3,649,604
Land	30,355,190	-	30,355,190	30,355,190	-	30,355,190
Machinery and equipment	6,885,172	(3,103,528)	3,781,644	6,872,651	(2,405,050)	4,467,601
Other assets	24,238,114	(6,037,371)	18,200,743	24,238,114	(5,229,434)	19,008,680
Road infrastructure	153,585,139	(78,795,448)	74,789,691	145,278,765	(65,053,741)	80,225,024
Solid waste infrastructure	14,861,322	(10,763,620)	4,097,702	14,861,322	(7,961,095)	6,900,227
Storm water infrastructure	83,651,296	(24,540,949)	59,110,347	83,651,296	(21,839,033)	61,812,263
Transport assets	11,044,608	(5,564,301)	5,480,307	11,259,213	(4,838,463)	6,420,750
Work-in-progress community assets	23,161,410	-	23,161,410	15,593,844	-	15,593,844
Work-in-progress infrastructure	30,065,150	-	30,065,150	28,024,737	-	28,024,737
Work-in-progress other assets	18,428,699	-	18,428,699	7,725,217	-	7,725,217
Total	524,645,046	(162,105,233)	362,539,813	491,492,585	(134,997,864)	356,494,721

Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June, 2019

Notes to the Annual Financial Statements

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Newly identified asset	Total
Community	90,822,290	-	-	3,975,962	(4,439,820)	-	90,358,432
Computer equipment	1,489,294	546,900	-	-	(361,846)	-	1,674,348
Furniture and office equipment	3,649,604	150,991	-	-	(827,301)	62,856	3,036,150
Land	30,355,190	-	-	-	-	-	30,355,190
Machinery and equipment	4,467,601	12,522	-	-	(698,479)	-	3,781,644
Other assets	19,008,680	-	-	-	(807,937)	-	18,200,743
Road infrastructure	80,225,024	-	-	8,306,374	(13,741,707)	-	74,789,691
Solid waste infrastructure	6,900,227	-	-	-	(2,802,525)	-	4,097,702
Storm water infrastructure	61,812,263	-	-	-	(2,701,916)	-	59,110,347
Transport assets	6,420,750	682,564	(672,876)	-	(950,131)	-	5,480,307
Work-in-progress community assets	15,593,844	11,543,528	-	(3,975,962)	-	-	23,161,410
Work-in-progress other assets	7,725,217	10,703,482	-	-	-	-	18,428,699
Work-in-progress road infrastructure	28,024,737	10,346,787	-	(8,306,374)	-	-	30,065,150
	356,494,721	33,986,774	(672,876)	-	(27,331,662)	62,856	362,539,813

Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June, 2019

Notes to the Annual Financial Statements

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Transfers	Donations	Assets written- off	Derecognition	Depreciation	Total
Community	62,019,647	235,006	33,172,721	-	-	-	(4,605,084)	90,822,290
Computer equipment	1,149,655	592,894	-	-	-	-	(253,255)	1,489,294
Furniture and office equipment	3,429,984	903,013	-	107,755	(19,738)	-	(771,410)	3,649,604
Land	30,687,190	-	-	-	-	(332,000)	-	30,355,190
Machinery and equipment	4,964,406	247,880	-	-	-	-	(744,685)	4,467,601
Other assets	19,622,836	192,711	-	-	-	-	(806,867)	19,008,680
Road Infrastructure	94,161,661	53,370	-	-	-	-	(13,990,007)	80,225,024
Solid waste infrastructure	10,127,100	-	-	-	-	-	(3,226,873)	6,900,227
Storm water infrastructure	64,514,178	-	-	-	-	-	(2,701,915)	61,812,263
Transport assets	7,434,151	-	-	-	-	-	(1,013,401)	6,420,750
Work-in-progress community assets	23,791,252	24,975,313	(33,172,721)	-	-	-	-	15,593,844
Work-in-progress buildings	294,824	7,430,393	-	-	-	-	-	7,725,217
Work-in-progress infrastructure	22,326,638	5,698,099	-	-	-	-	-	28,024,737
	344,523,522	40,328,679	-	107,755	(19,738)	(332,000)	(28,113,497)	356,494,721

Pledged as security

There was no property, plant and equipment pledged as security.

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June, 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
4. Property, plant and equipment (continued)		
Reconciliation of Work-in-Progress 2019		
The cumulative expenditure for assets that are in the process of being constructed/developed (work in progress), are represented by class of asset as follows:		
Community Assets	23,161,410	16,774,081
Other Assets	18,428,699	7,696,823
Road Infrastructure	30,065,150	27,332,645
	71,655,259	51,803,549

Included in property, plant and equipment are property that have been identified as taking significantly longer period of time to complete than expected, due to the following:-

Mtubatuba Traffic Management Centre

- The accumulative expenditure has amounted to R15 677 073.43
- The municipality was experiencing delays due to the appointed supplier's non-performance. Sub-contractors were appointed to take over the completion of the project.

Khula Village High Mast Lights:

- The accumulative expenditure has amounted to R 1 822 017;
- The municipality is experiencing delays due to the delayed response from the contractors with regards to the replantation of the requested poles required.

Included in the carrying amount, are property, plant and equipment that have been identified as halted during current and prior reporting periods, due to the following:

KwaMnguni Sports Field (Ward 14)

- The cumulative expenditure has amounted to R 1 580 953
- The contract between the municipality and the contractor was terminated during 2016/17 financial period due to non-performance of the contractor.

KwaMnguni Sports Field (Ward 2)

- The accumulative expenditure has amounted to R 645 161
- The contract between the municipality and the contractor was terminated during 2016/17 financial period due to non-performance of the contractor.

Ezwenilisha Market Stalls

- The accumulative expenditure has amounted to R 76 435
- The municipality has been experiencing delays due to land debates and issues. This has caused delays in the commencement date of construction.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Repairs & maintenance

Repairs and maintenance incurred to maintain property, plant and equipment is represented as follows:

Cost of service providers (contracted services)	4,876,785	12,705,955
Materials and supplies	1,689,622	1,032,014
Employee costs	1,891,402	1,901,869
	8,457,809	15,639,838

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June, 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
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5. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Software	2,629,405	(2,509,497)	119,908	2,504,900	(2,420,344)	84,556

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Software	84,556	124,505	(89,153)	119,908

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Software	621,155	133,924	(670,523)	84,556

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June, 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
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6. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Statue	1,024,835	-	1,024,835	1,024,835	-	1,024,835

Reconciliation of heritage assets 2019

	Opening balance	Total
Statue	1,024,835	1,024,835

Reconciliation of heritage assets 2018

	Opening balance	Total
Statue	1,024,835	1,024,835

7. Receivables from non-exchange transactions

Fines	1,447,631	1,412,325
Other receivables from non-exchange revenue	779,593	709,254
Amount defrauded by former employee	1,211,349	-
	3,438,573	2,121,579

Included in receivables from non-exchange transactions is:

Fines	10,227,591	8,461,769
Other	1,990,942	964,325
Less: Credit impairment	(8,779,960)	(7,304,515)
	3,438,573	2,121,579

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(7,304,515)	(6,274,765)
Provision for impairment	(1,475,445)	(1,029,750)
	(8,779,960)	(7,304,515)

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June, 2019, R 258,150 (2018: R 457,600) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	50,950	125,900
2 months past due	136,700	205,800
3 months past due	70,500	125,900

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Notes to the Annual Financial Statements

	2019 R	2018 R
8. VAT receivable		
VAT	1,983,111	2,400,266
Mtubatuba Municipality accounts for VAT on cash basis.		
9. Trade and other receivables from exchange transactions		
Gross balances		
Rates	102,852,642	88,866,226
Refuse	18,695,921	13,922,413
Security	8,452,243	7,483,393
	130,000,806	110,272,032
Less: Allowance for impairment		
Rates	(60,654,175)	(57,021,994)
Refuse	(15,149,404)	(8,146,685)
Security	(2,033,386)	(5,228,883)
	(77,836,965)	(70,397,562)
Net balance		
Rates	42,198,467	31,844,232
Refuse	3,546,517	5,775,728
Security	6,418,857	2,254,510
	52,163,841	39,874,470
Agriculture, business and mining		
Current (0 -30 days)	1,306,328	1,221,143
31 - 60 days	1,205,972	987,159
61 - 90 days	1,619,521	829,173
91 - 120 days	1,061,920	869,761
121 - 365 days	26,705,618	20,564,724
	31,899,359	24,471,960
Residential		
Current (0 -30 days)	1,833,594	2,171,123
31 - 60 days	1,946,446	1,940,215
61 - 90 days	1,816,095	1,776,732
91 - 120 days	1,703,451	1,693,371
121 - 365 days	79,630,430	69,210,336
	86,930,016	76,791,777

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June, 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
9. Trade and other receivables from exchange transactions (continued)		
Other debtors		
Current (0 -30 days)	217,253	173,465
31 - 60 days	73,885	123,140
61 - 90 days	239,125	245,883
91 - 120 days	1,160,552	122,235
121 - 365 days	9,480,616	6,803,444
	11,171,431	7,468,167
Total		
Current (0 -30 days)	3,357,175	3,565,732
31 - 60 days	3,226,303	3,050,514
61 - 90 days	3,674,741	2,851,788
91 - 120 days	3,925,923	2,685,366
121 - 365 days	114,932,279	96,578,503
Add back: Credit balances in debtors	884,385	1,540,129
Less: Credit impairments	(77,836,965)	(70,397,562)
	52,163,841	39,874,470
Reconciliation of allowance for impairment		
Balance at beginning of the year	(70,397,562)	(61,214,735)
Contributions to allowance	(7,439,403)	(9,182,827)
	(77,836,965)	(70,397,562)
Consumer debtors past due but not impaired		
Other Consumer debtors which are 3 months past due are not considered to be impaired. At 30 June, 2019, R 6,669,310 (2018: R 7,339,058) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	3,858,771	3,730,845
2 months past due	1,275,547	2,129,794
3 months past due	1,534,992	1,478,419
10. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	10,815	15,278
Bank balances	43,287,922	3,508,367
Short-term deposits	3,825,496	8,716,283
Other cash and cash equivalents	123,869	56,708
	47,248,102	12,296,636

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June, 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
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10. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June, 2019	30 June, 2018	30 June, 2017	30 June, 2019	30 June, 2018	30 June, 2017
First National Bank - Primary - 53093735184	42,911,473	2,464,623	4,165,675	42,911,473	2,465,771	4,165,675
First National Bank - Eskom - 71044025057	191,600	191,600	191,600	191,600	191,600	191,600
First National Bank - Money Market - 62424097831	1,491,851	35,386	1,348,148	1,491,851	35,386	1,348,148
First National Bank - Call Account - 62424098376	2,104,885	7,070,773	735,056	2,104,885	7,070,773	735,056
First National Bank - Money Market 3 - 6242094986	37,160	1,418,524	33,681	37,160	1,418,524	33,681
First National Bank - Traffic Fines - 62451696995	202,247	221,567	301,698	202,247	221,567	301,698
First National Bank - Petty Cash - 62393938249	35,941	23,689	39,614	35,941	23,689	39,614
Investec Fixed Deposit	-	154,207	144,457	-	154,207	144,457
Ithala Corporate Fixed Deposit	-	513,486	460,914	-	513,486	460,914
Nedbank Limited Investment	138,261	129,646	121,509	138,261	129,646	121,509
Cash on hand	-	-	-	10,815	15,278	15,004
Cashiers collection	-	-	-	123,869	56,777	17,971
Direct Deposit	-	-	-	-	(68)	-
Total	47,113,418	12,223,501	7,542,352	47,248,102	12,296,636	7,575,327

11. Payables from exchange transactions

Trade payables	11,947,020	8,817,942
Accrued leave pay	9,116,024	7,871,146
Accrued bonus	1,915,221	1,642,334
Accrued expenses	18,921,086	16,742,190
Retentions	3,244,981	4,439,839
	45,144,332	39,513,451

12. Payroll accruals

Medical aid contributions	680,218	597,830
PAYE, SDL & UIF	2,637,747	1,081,978
Pension fund contributions	2,107,310	855,355
Other contributions	684,359	374,201
	6,109,634	2,909,364

Third party payables in respect of all payroll related deductions.

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Notes to the Annual Financial Statements

	2019 R	2018 R
13. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Low Cost Housing Grant	1,232,377	1,232,377
Infrastructure Sport Facilities	-	322,242
Massification	1,782,589	163
MTB Library Computer Assistance	87,678	-
Expanded Public Works	-	293,832
Sport & Recreation Grant	1,259,180	2,684,981
Finance Management	321,756	-
MSIG Municipal Support	41,822,209	-
Wall to Wall Grant	706,875	-
	47,212,664	4,533,595
Movement during the year		
Balance at the beginning of the year	4,533,595	2,448,173
Additions during the year	113,687,162	63,361,463
Income recognition during the year	(43,776,366)	(46,676,204)
INEP and other grant expenditure	(27,231,727)	(14,599,837)
	47,212,664	4,533,595

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June, 2019

Notes to the Annual Financial Statements

14. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Interest cost	Service cost	Unwinding of discount	Total
Environmental rehabilitation	16,574,877	-	-	-	-	1,781,055	18,355,932
Long Service Award Benefits - Short Term Portion	101,344	191,493	(101,344)	-	-	-	191,493
Long Service Award Benefits - Long Term	2,296,844	6,109	(428,598)	208,131	277,598	-	2,360,084
Environmental rehabilitation - short term portion	6,044,065	-	-	-	-	302,901	6,346,966
	25,017,130	197,602	(529,942)	208,131	277,598	2,083,956	27,254,475

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Interest cost	Service cost	Unwinding of discount	Total
Environmental rehabilitation	14,966,635	-	-	-	-	1,608,242	16,574,877
Long Service Award Benefits - Short Term Portion	63,399	101,344	(63,399)	-	-	-	101,344
Long Service Award Benefits	1,826,531	184,131	(80,776)	165,534	201,424	-	2,296,844
Environmental rehabilitation - short term portion	7,095,401	-	(1,309,891)	258,555	-	-	6,044,065
	23,951,966	285,475	(1,454,066)	424,089	201,424	1,608,242	25,017,130

Non-current liabilities

Current liabilities

20,716,016	18,871,721
6,538,459	6,145,409
27,254,475	25,017,130

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June, 2019

Notes to the Annual Financial Statements

	2019	2018
	R	R

14. Provisions (continued)

Environmental rehabilitation provision

The municipality was issued with a waste management licence for the operation with intention of closure, decommissioning and rehabilitation of Mtubatuba waste disposal site on 25 January 2016. The licence is valid for a period of 5 years from date of issue. The municipality was also issued with a licence to close, decommission and rehabilitate the St Lucia waste disposal site from 31 March 2016. The St Lucia waste disposal site is now closed. The provision for rehabilitation of landfill site relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 10.25% over a period of 5 years (licence period).

Long Service Awards Provision

In line with the guidelines of the Bargaining Council, the municipality remunerates its employees for the long services rendered to the municipality. The estimates of the present obligation are determined through the use of the Actuarial expertise. Such estimates are reviewed annually at end of the financial year. The finance cost and actuarial gains or losses are recognised directly in the statement of financial performance.

The municipality offers bonuses for every 5 years of completed service from 10 to 45 years. Long service accumulated leave must be taken within one year of receiving such leave or wholly or partially cashed. In most cases, employees choose to exercise the option to wholly convert their accumulated leave bonus into cash.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

Key assumptions

Discount rate	8.42%
CPI	4.58%
Salary increase rate	5.58%
Net discount rate	2.69%
Mortality	SA67-70

Mtubatuba Municipality

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Notes to the Annual Financial Statements

	2019 R	2018 R
15. Government grants and subsidies		
Operating grants		
Equitable share	143,206,000	132,131,000
Finance management grant / budget and treasury office	1,970,486	1,899,544
Library provincial support grant / libraries and archives	3,089,325	2,902,000
M T B library assistants - cadets/libraries and archives	307,122	378,490
EPWP/Road transport/Roads	2,363,832	1,264,168
Sport Caretakers/Community	7,925,801	10,881,002
	<u>158,862,566</u>	<u>149,456,204</u>
Capital grants		
Municipal Infrastructure Grant (MIG)	31,166,000	32,253,000
	<u>31,166,000</u>	<u>32,253,000</u>
	<u>190,028,566</u>	<u>181,709,204</u>
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Low cost housing grant		
Balance unspent at beginning of year	<u>1,232,377</u>	<u>1,232,377</u>
Conditions still to be met - remain liabilities (see note 13).		
The municipality is still waiting for approval from the Department of Human Settlements to use the funds.		
Infrastructure sport facilities		
Balance unspent at beginning of year	321,756	321,756
	<u>321,756</u>	<u>321,756</u>
Conditions still to be met - remain liabilities (see note 13).		
MTB Library Computer Assistance		
Balance unspent at beginning of year	-	2,489
Current-year receipts	394,800	376,000
Conditions met - transferred to revenue	(307,122)	(378,489)
	<u>87,678</u>	<u>-</u>
Extended public works		
Balance unspent at beginning of year	293,832	-
Current-year receipts	2,070,000	1,558,000
Conditions met - transferred to revenue	(2,363,832)	(1,264,168)
	<u>-</u>	<u>293,832</u>
Conditions still to be met - remain liabilities (see note 13).		

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	2019 R	2018 R
15. Government grants and subsidies (continued)		
Municipal infrastructure grant		
Current-year receipts	31,166,000	32,253,000
Conditions met - transferred to revenue	(31,166,000)	(32,253,000)
	<u>-</u>	<u>-</u>
Sport & recreation caretakers		
Balance unspent at beginning of year	2,684,981	891,520
Current-year receipts	6,500,000	12,674,463
Conditions met - transferred to revenue	(7,925,801)	(10,881,002)
	<u>1,259,180</u>	<u>2,684,981</u>
Conditions still to be met - remain liabilities (see note 13).		
The contractor is still on site, the conditions will be met as soon the contractor has completed on site.		
Finance management grant		
Balance unspent at beginning of year	486	31
Current-year receipts	1,970,000	1,900,000
Conditions met - transferred to revenue	(1,970,486)	(1,899,545)
	<u>-</u>	<u>486</u>
Conditions still to be met - remain liabilities (see note 13).		
16. Rental of facilities and equipment		
Premises		
Premises	<u>98,499</u>	<u>83,472</u>
Facilities and equipment		
Rental of facilities	<u>182,469</u>	<u>219,892</u>
	<u>280,968</u>	<u>303,364</u>

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	2019 R	2018 R
17. Employee related costs		
13th Cheques	4,231,817	3,330,989
Basic	46,579,185	40,620,858
Car allowance	7,652,085	6,705,131
Defined contribution plans	8,802,553	6,564,499
Group life insurance	1,675,460	1,693,092
Housing benefits and allowances	462,173	510,784
Leave pay accrual	1,883,629	3,567,721
Long-service awards	345,294	342,624
Medical aid - company contributions	4,599,944	3,498,017
Other payroll levies	21,228	19,466
Overtime payments	5,514,668	5,128,648
SDL	1,277,137	872,150
Short term benefit	124,272	815,789
Standby allowance	-	17,816
Telephone allowances	105,000	98,190
Travel, motor car, accommodation, subsistence and other allowances	155,576	89,608
UIF	440,045	325,978
	83,870,066	74,201,360
Remuneration - Municipal Manager		
Annual Remuneration	611,306	613,134
Car Allowance	184,050	180,000
Cellphone Allowance	-	8,480
House Allowance	85,890	84,000
Other	174,379	156,986
	1,055,625	1,042,600
Remuneration - Chief Finance Officer		
Acting Allowance	20,840	-
Annual Remuneration	373,214	367,269
Car Allowance	124,405	77,232
Other	45,866	48,257
	564,325	492,758
Remuneration - Director Corporate Services		
Acting Allowance	52,434	-
Annual Remuneration	78,146	508,712
Car Allowance	32,000	159,000
Cellphone Allowance	3,000	21,200
Housing Allowance	10,097	127,200
Other	7,000	186,530
	182,677	1,002,642

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	2019 R	2018 R
17. Employee related costs (continued)		
Remuneration - Director Community Services		
Annual Remuneration	488,162	464,624
Car Allowance	184,050	75,000
Cellphone Allowance	22,740	8,000
Other	130,054	44,166
	825,006	591,790
Remuneration - Director Technical Services		
Acting Allowance	19,321	-
Annual Remuneration	183,032	370,177
Car Allowance	58,445	101,448
Other	51,526	50,529
	312,324	522,154
18. Remuneration of councillors		
The Mayor	872,149	812,363
Deputy Mayor	413,821	516,211
Mayoral Committee Members	3,650,089	2,385,106
Speaker	706,600	656,970
Councillors	8,793,699	10,931,404
	14,436,358	15,302,054
In-kind benefits		
The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor has the use of separate Council owned vehicles for official duties.		
The Mayor and Speaker each have three full-time bodyguards. The Deputy Mayor has two full-time bodyguards.		
The salaries, fringe benefits and allowances payable to councillors, as disclosed above, are within the limits as determined by the MEC for Cooperative Governance and Traditional Affairs.		
19. Debt impairment and write offs		
Debt impairment/(reversal of debt impairment)	8,914,847	10,212,577
Debts written off	3,068,878	54,541
	11,983,725	10,267,118
20. Depreciation, amortisation and impairment		
Property, plant and equipment	27,331,661	28,113,498
Intangible assets	89,153	670,523
	27,420,814	28,784,021

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	2019 R	2018 R
21. Finance costs		
Interest on provisions (unwinding)	2,083,957	1,866,797
Interest - other	1,118,599	397,144
	3,202,556	2,263,941
22. Contracted services		
Security Services	15,802,861	20,258,181
Waste management	9,792,619	8,178,208
Repairs and maintenance	11,764,692	12,705,955
	37,360,172	41,142,344
23. General expenses		
Advertising	2,556,073	3,104,955
Auditors remuneration - refer to Note 24	1,686,836	1,450,498
Bank charges	703,232	536,286
Consultants executive	284,513	3,067,776
Consulting and professional fees	21,007,214	12,782,870
Consumables	864,958	863,173
Disaster Management	105,127	2,061,125
Donations	53,180	-
Electricity	1,197,144	1,351,360
Entertainment	611,069	64,958
Fuel and oil	1,933,416	1,937,704
IT expenses	3,213,052	2,008,513
Insurance	497,384	420,717
Land alienation costs	125,000	-
Material - repairs and maintenance	1,909,251	1,032,014
Motor vehicle expenses	552,979	537,471
Other Expenses	705,097	442,682
Plant hire	468,407	-
Postage and courier	75,004	47,765
Printing and stationery	2,629,216	1,946,761
Public participation	4,193,162	4,249,595
Refuse	962,500	78,550
Special Programmes	3,708,963	3,661,353
Subscriptions and membership fees	741,055	693,921
Telephone and fax	2,149,686	2,225,311
Training	1,123,500	281,510
Travelling and accommodation	8,552,405	9,461,223
Uniforms	1,314,501	539,276
Vehicle rentals	483,978	302,822
	64,407,902	55,150,189
24. Auditors' remuneration		
Fees	1,686,836	1,450,498

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	2019 R	2018 R
25. Cash generated from operations		
Surplus	1,084,299	3,183,340
Adjustments for:		
Depreciation and amortisation	27,420,814	28,784,021
Gain on sale of assets	310,020	-
Assets written-off	-	19,735
Donations	-	(107,755)
Debt written off / Debt impairment	11,983,725	10,267,118
Movements in retirement benefit liabilities	45,000	(83,000)
Movements in provisions	2,237,345	1,065,164
Traded in value of the vehicle	300,004	-
Derecognition of property, plant and equipment	-	332,001
Derecognition of investment property	-	5,396,000
Changes in working capital:		
Consumer debtors	(24,273,096)	(21,259,771)
Other receivables from non-exchange transactions	(1,316,994)	(402,500)
Payables from exchange transactions	5,630,878	13,531,308
VAT	417,155	1,077,183
Payroll accruals	3,200,270	969,013
Unspent conditional grants and receipts	42,679,069	2,085,422
	69,718,489	44,857,279

26. Commitments

Authorised capital expenditure

Already contracted for

• Infrastructure	30,930,214	44,809,123
• Electrification	8,579,532	1,992,445
	39,509,746	46,801,568

Not yet contracted for and authorised by accounting officers

• Infrastructure	18,059,413	2,879,501
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Total capital commitments

Already contracted for but not provided for	39,509,746	46,801,568
Not yet contracted for and authorised by accounting officers	18,059,413	2,879,501
	57,569,159	49,681,069

This committed expenditure relates to infrastructure, community and electrification projects and will be financed by government grants. This committed expenditure is stated inclusive of VAT.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	330,770	623,998
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Operating lease payments represent rentals payable by the municipality for its office equipment and machines. Leases are negotiated for an average term of three years.

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Annual Financial Statements for the year ended 30 June, 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
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27. Contingencies

The following cases against the municipality are still pending and management consider them as contingent liabilities: 2019

- Mtubatuba Municipality v S.S Myeni & Others. Case No.: 10344/15 in the PMB High Court. Legal costs to date +/- R 70 000
- Mtubatuba Municipality v Which Hunter Construction & Security Services. The plaintiff is claiming an amount of R353 400 from the municipality for the breach of contract. There are two actions pending in the Magistrate Court, Hlabisa and Regional Court, Empangeni. We have raised a special plea lis pendes and this will be enrolled for argument shortly. Cost to date: R64123.26 plus estimated legal costs of +/- R40000
- Matter between M & C Consulting, as respondent, and Mtubatuba Municipality, as applicant, - damages claim. Case No.: 2196/19P. Claim for R 1 141 375 . Estimated costs of R 800 000
- Mtubatuba Municipality v Khutala Consortium. This is an application to hold various officials in contempt of Court, as well as for a declaratory order declaring the notarial lease concluded between the municipality and Khutala Property Consortium invalid. Judgement as granted in the municipality favour, however, there is now an application for lease to appeal the judgement that is pending. Costs to date : R739 209.18 plus estimated legal costs of +/- R200 000
- Mtubatuba Municipality v Skills Direct Facilitators. Skills Direct Facilitators are claiming an amount of R 15 200 due to damages incurred when the plaintiff's vehicle collided with a pothole within the Mtubatuba Jurisdiction. The matter is due to be set down for trial. Cost to date: 5 303.90 plus estimated costs +/- R 8 000
- Mtubatuba Municipality v KZN Black Hawks Security (Pty) Ltd. Civil matter, plaintiff to respond to plea and special plea raised. Amount claimed is R 40 817.50. File ref. no.: OI/M744/18. The estimated total cost is +/- R 50 000
- Mtubatuba Municipality v JMB Hadebe and Others. This is an application for eviction, which may to expropriate private land by the municipality. There is potential financial exposure to the municipality in relation to the question of expropriation (payment to the land owner), but this cannot be determined with any certainty at this stage because the expropriation process is still in its infancy and it may well be that the department of human settlements takes over the entire process. Costs to date: R330 233.64 plus future legal costs of +/- R40 000.
- Mtubatuba Municipality v S.S Myeni & Others. Case No.: 9844/15 in the PMB High Court. Legal costs to date +/- R 220 000
- Mtubatuba Municipality v JMB Hadebe and Others. This is an application for eviction, which may to expropriate private land by the municipality. There is potential financial exposure to the municipality in relation to the question of expropriation (payment to the land owner), but this cannot be determined with any certainty at this stage because the expropriation process is still in its infancy and it may well be that the department of human settlements takes over the entire process. Costs to date: R330 233.64 plus future legal costs of +/- R40 000.

28. Related parties

Relationships

Management remuneration

Council remuneration

Refer to employee related costs note 17

Refer to remuneration of Councillors note 18

29. Prior period errors

- Property, Plant and Equipment

Through detailed review of Work-in-Progress and Retention account balances, as at 30 June 2018, we noted that Retention balance included retention portion that was actually released as at 30 June 2018. Such error resulted to overstatement of Property, Plant and Equipment and Retention liability. The error constitutes a prior period error in terms of GRAP. The municipality has processed the necessary correcting entries in order to ensure fair presentation.

- Payables from exchange transactions

Through detailed review of the 2018 leave pay accrual records, the municipality noted that the amount recognised as a liability, as at 30 June 2018, was misstated due to calculation errors. Such calculation errors resulted to understatement of Payables from exchange transactions. The error constitutes a prior period error in terms of GRAP. The municipality has processed the necessary correcting entries in order to ensure fair presentation of leave pay accrual balance.

The correction of errors result in adjustments as follows:

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Annual Financial Statements for the year ended 30 June, 2019

Notes to the Annual Financial Statements

29. Prior period errors (continued)

Statement of financial position

Property, plant and equipment		(119,882)
VAT receivable		(16,522)
Payables from exchange transactions	-	(2,392,055)
Opening Accumulated Surplus or Deficit		<u>(2,528,459)</u>

Account balance

	Previously reported June 2018	Adjustment	Restated
Property, plant and equipment	356,614,601	(119,882)	356,494,719
VAT receivable	2,416,788	(16,522)	2,400,266
Payables from exchange transactions	(37,121,394)	(2,392,055)	(39,513,449)
Accumulated Surplus	<u>(371,619,054)</u>	<u>2,528,459</u>	<u>(369,090,595)</u>
	<u>(49,709,059)</u>	<u>-</u>	<u>(49,709,059)</u>

Statement of Financial Performance

	Previously reported	Adjustment	Total
Depreciation and amortisation	28,782,157	1,866	28,784,023
Employee related cost	<u>71,674,767</u>	<u>2,526,593</u>	<u>74,201,360</u>
	<u>100,456,924</u>	<u>2,528,459</u>	<u>102,985,383</u>

30. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Current liabilities

Trade and other payables from exchange transactions	45,144,327	37,121,394
Unspent conditional grants	<u>47,212,664</u>	<u>4,533,595</u>
	<u>92,356,991</u>	<u>41,654,989</u>

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Consumer debtors comprise of a large number of ratepayers dispersed across different sectors and geographical areas. Management evaluated credit risk relating to customers on an ongoing basis. Credit exposure is managed by application of the municipality's policies regarding credit control and debt collection. The municipality has made a provision for doubtful debts in accordance to its policies. The carrying amount of financial assets is the maximum exposure to credit risk in relation to these assets.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2019	2018
Trade and other receivables from exchange transactions	52,163,841	39,874,470
Trade and other receivables from non-exchange transactions	3,438,573	2,121,579
Cash and cash equivalents - Bank balances	<u>47,248,102</u>	<u>12,296,636</u>

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Notes to the Annual Financial Statements

30. Risk management (continued)

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

31. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officers continue to procure funding for the ongoing operations for the municipality.

32. Events after the reporting date

There were no adjusting and non-adjusting events after the reporting date.

33. Unauthorised expenditure

Opening balance	28,946,876	122,061,842
Current year movement - actual expenditure exceeds budget	29,912,528	25,790,144
Unauthorised expenditure - water services	-	3,156,732
Less: Unauthorised expenditure written-off by council (Irrecoverable)	-	(122,061,842)
	58,859,404	28,946,876

The current year over-expenditure relates to non-cash items in respect of Depreciation, Provision for 13th cheque bonus and the Provision for accumulated leave days and cash items of Finance costs and Remuneration of Councillors.

34. Fruitless and wasteful expenditure

Opening balance	82,682	11,895,484
Interest on late payments	136,081	28,040
Penalties - SARS	579,018	54,642
Less: Amounts written-off by council (Irrecoverable)	-	(11,895,484)
	797,781	82,682

Fruitless and wasteful expenditure relates to interest and penalties paid on overdue accounts, as well as statutory obligations not honoured on time. In addition, fruitless and wasteful expenditure includes expenses incurred on KwaMsane Civic Centre due to late payment of contract obligation.

35. Irregular expenditure

Opening balance	6,883,881	58,897,907
Add: Irregular Expenditure - current year	7,815,005	6,883,881
Less: Amounts written-off by council (Irrecoverable)	-	(58,897,907)
	14,698,886	6,883,881

Irregular expenditure relates to procurement of goods and services without following proper supply chain management processes.

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June, 2019

Notes to the Annual Financial Statements

36. Employee benefit obligation

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value obligation	(2,219,000)	(2,302,000)
Current interest cost	(206,000)	(217,000)
Actuarial (gain)/loss	18,000	171,000
Medical aid contributions	143,000	129,000
	(2,264,000)	(2,219,000)

Net expense recognised in the statement of financial performance

Current interest cost	206,000	217,000
Actuarial (gains) losses	(18,000)	(171,000)
Settlement	(143,000)	(129,000)
	45,000	(83,000)

Key assumptions used

The key assumptions used in the valuation are summarised below:

Discount rate	9.17 %	9.59 %
Consumer Price Inflation	5.29 %	6.04 %
Health Care Cost Inflation	6.79 %	7.54 %
Net Discount Rate	2.23 %	1.91 %

Other assumptions

Profile of active employees:

	One percentage point increase
Age<59	-
Age 60-64	1
Age 65-69	2
Age 70-74	-
Age 75-79	1
>80	-
Average age	69
Average employer monthly contributions	3,469

Valuation method

In accordance with the requirements of GRAP25, the Projected Unit Credit Method has been applied to determine the liabilities. The projected liability is based on actuarial assumptions about the future. These assumptions are set to be realistic and individually justifiable. However, the actual experience of the beneficiaries of Mtubatuba Municipality will vary from these assumptions. These variations emerge at each valuation as actuarial gains or losses.

The approach taken in this valuation has been made with reference to the guidelines issued by the Actuarial Society of South Africa (ASSA), in particular, the Advisory Practice Note 207 as issued by ASSA, and is consistent with the requirements of GRAP25.

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Notes to the Annual Financial Statements

37. Property rates

Rates

Municipal	35,287,349	30,614,327
Less: Income forgone	(987,470)	(1,056,274)
	34,299,879	29,558,053

Valuations

Agricultural	824,777,000	698,808,000
Business/Commercial	726,231,000	878,363,000
Government	65,335,000	348,865,000
Municipal	5,009,000	5,009,000
Place of worship	15,020,000	13,805,000
Public service infrastructure	6,910,000	6,816,000
Rural communal land	4,600,000	4,600,000
Residential	1,861,185,046	1,870,344,046
Vacant land	47,460,000	43,986,000
	3,556,527,046	3,870,596,046

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2015. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A rebate for residential properties is granted by excluding the first R60,000 of the property market value. Interest is levied at 18%.

Property rates tariffs:

Agricultural: 0.00205c in the Rand

Business or commercial: 0.01430c in the Rand

Public service infrastructure: 0.00205c in the Rand

Vacant Land: 0.00817c in the Rand

Residential: 0.00817c in the Rand

Hospitality: 0.01430c in the Rand

38. Fines

Traffic fines	1,573,300	1,539,400
Library fines	2,112	2,987
	1,575,412	1,542,387

39. Other income

Administration and management fees received - third party	-	23,493
Insurance payout	-	1,022,626
Other	-	1,444,747
	-	2,490,866

40. Interest on consumer debtors

Consumers	11,471,249	11,548,946
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Interest on consumer debtors is charged at 18% per annum.

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Annual Financial Statements for the year ended 30 June, 2019

Notes to the Annual Financial Statements

41. Interest on investments

Interest revenue

Bank	1,065,479	1,765,050
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42. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	895,511	506,110
Amount paid - current year	(895,511)	(506,110)
	-	-

Audit fees

Opening balance	(6,016)	-
Current year subscription / fee	1,953,460	1,653,987
Amount paid - current year	(1,894,449)	(1,660,003)
	52,995	(6,016)

PAYE and UIF

Opening balance	940,291	556,313
Current year subscription / fee	15,396,942	12,668,370
Amount paid - current year	(13,699,486)	(12,284,392)
	2,637,747	940,291

Pension and Medical Aid Deductions

Opening balance	1,440,397	1,020,120
Current year subscription / fee	21,785,747	18,553,147
Amount paid - current year	(20,438,616)	(18,132,870)
	2,787,528	1,440,397

VAT

VAT receivable	1,983,111	2,400,266
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VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

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Notes to the Annual Financial Statements

42. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June, 2019:

30 June, 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mrs MM Davies	3,024	11,068	14,092
Mr RB Mkhwanazi	2,364	40,308	42,672
Ms JB Lembede	3,881	78,975	82,856
	9,269	130,351	139,620
30 June, 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mrs MM Davies	1,955	3,541	5,496
Mr RB Mkhwanazi	1,389	38,900	40,289
Ms JB Lembede	2,210	73,506	75,716
	5,554	115,947	121,501

43. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the annual financial statements.

The deviations for the year, with the prior years' deviation shown for comparison, are summarised below:

Reasons	30 June 2019	30 June 2018
Emergency	373,440	816,539
Sole service provider	79,029	514,949
Recommendations by other organs of state	1,927,745	2,571,814
Threat to Councillors - trusted service provider	9,959,034	13,977,891
	12,339,248	17,881,193

44. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June, 2019

Notes to the Annual Financial Statements

44. Comparative figures (continued)

Statement of financial performance - extract

	Comparative figures previously reported	Reclassification	After reclassification
Contracted Services	28,436,389	12,705,955	41,142,344
General Expenses	67,856,143	(12,705,955)	55,150,188
Total	96,292,532	-	96,292,532